

Message Text

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10

ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 SAM-01 SP-02 AID-05 EB-07 NSC-05

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COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04

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FM AMEMBASSY HELSINKI

TO SECSTATE WASHDC 8413

INFO USMISSION GENEVA

USDEL MTN GENEVA

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

AMEMBASSY LONDON

AMEMBASSY BONN

AMEMBASSY MOSCOW

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TAGS: ECON, ETRD, FI

SUBJECT: TRADE MEASURES

REF: HELSINKI 0550

TRANSMITTED HERewith IS THE TEXT OF THE FOREIGN MINISTRY'S
CIRCULAR NOTE TO HELSINKI DIPLOMATIC MISSIONS EXPLAINING
BALANCE OF PAYMENTS MEASURES SUMMARIZED REFTEL. TEXT FOLLOWS:

A DECREASE IN THE VOLUME OF EXPORTS, A RAPID INCREASE IN
IMPORTS AND A RELATIVELY FASTER GROWTH OF TOTAL DOMESTIC
DEMAND THAN OF PRODUCTION HAVE CAUSED A SHARP RISE IN THE
CURRENT BALANCE DEFICIT AND THE FOREIGN INDEBTNESS OF
FINLAND.

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IN ORDER TO DECREASE THIS DEFICIT, TO SAFEGUARD FINLAND'S FOREIGN PAYMENTS POSITION AND TO IMPROVE THE CONDITIONS FOR A BALANCED ECONOMIC DEVELOPMENT THE GOVERNMENT HAS LAID DOWN THE FOLLOWING GENERAL GUIDELINES FOR THEIR ECONOMIC POLICY:

1. A CONSIDERABLE INCREASE IN EXPORTS IS NECESSARY FOR REDUCING THE FOREIGN TRADE DEFICIT. BESIDES SAFEGUARDING THE FINANCING OF INVESTMENTS IN THE EXPORT SECTOR, THE GOVERNMENT MEASURES WILL AIM AT FACILITATING THE SUPPLY OF LABOUR IN THE EXPORT-ORIENTED INDUSTRIES, IMPROVING THE INTERNATIONAL COMPETITIVENESS OF FINNISH EXPORTS AND INTENSIFYING MARKETING ABROAD.

2. THE GOVERNMENT ATTEMPT TO REDUCE THE GROWTH OF IMPORTS BY RESTRAINING THE INCREASE IN TOTAL DOMESTIC DEMAND AND BY PROMOTING THE IMPORT-SUBSTITUTING DOMESTIC INDUSTRIAL AND AGRICULTURAL PRODUCTION. IN ORDER TO SAFEGUARD THE PAYMENTS POSITION THE GOVERNMENT HAS I. A. PRESENTED TO PARLIAMENT A BILL FOR AN IMPORT DEPOSIT ACT AND INTRODUCED A SPECIAL TEMPORARY LEVY ON IMPORTS. A COMPREHENSIVE PRICE SURVEILLANCE SYSTEM HAS BEEN ENFORCED TO FORESTALL PRICE INCREASES THAT OTHERWISE WOULD HAVE BEEN CAUSED BY THE IMPORT DEPOSIT SCHEME. FURTHERMORE A BILL FOR AN ACT ON EXCEPTIONAL PRICE SURVEILLANCE MEASURES HAS BEEN PRESENTED TO PARLIAMENT.

3. THE GOVERNMENT WILL PURSUE INVESTMENT POLICIES, WHICH WILL EFFICIENTLY CONTRIBUTE TO THE BALANCING OF FOREIGN TRADE. PRIORITY WILL BE GIVEN TO THOSE PRODUCTIVE INVESTMENTS IN THE MANUFACTURING INDUSTRIES THAT FURTHER THE BALANCING OF THE CURRENT ACCOUNT. INVESTMENTS RELATED TO TRANSPORT, COMMERCE AND OTHER SERVICE INDUSTRIES AS WELL AS CERTAIN SECTORS OF ENERGY PRODUCTION WILL BE CURBED SUBSTANTIALLY. INVESTMENT GOALS SET FOR WATER POLLUTION CONTROL WILL BE REVIEWED. THE GOVERNMENT WILL CONSIDER MEASURES BY WHICH RESOURCES TIED TO STOCKS OF INDUSTRIAL RAW MATERIALS AND PRODUCER GOODS COULD BE MORE EFFICIENTLY UTILIZED.

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4. SUBSTANTIAL SAVINGS WILL BE AIMED AT IN ENERGY CONSUMPTION. THIS WOULD REDUCE THE BURDEN IMPOSED BY ENERGY IMPORTS ON THE COUNTRY'S CURRENT ACCOUNT POSITION. THIS IS TO BE DONE THROUGH COMBINING OF ELECTRICITY PRODUCTION AND HEATING, BY IMPROVING HEATING ECONOMY AND BY RATIONALIZING PRIVATE AND PUBLIC USE OF ENERGY. TO CURB UNNECESSARY AND UNECONOMICAL USE OF ENERGY THE GOVERNMENT WILL TAKE APPROPRIATE LEGISLATIVE ACTION.

5. THE GROWTH IN TOTAL DOMESTIC CONSUMPTION WILL BE CURTAILED IN 1975 AND 1976 BY REDUCING THE GROWTH OF PUBLIC CONSUMPTION EXPENDITURES AND BY MAINTAINING ADMINISTRATIVE COSTS AT THE LEVEL OF 1974. IN ORDER TO BRING THE EFFECTS OF PUBLIC EXPENDITURE ON DEMAND AND THE MONEY MARKET IN LINE WITH THE EFFORTS TO BALANCE THE CURRENT ACCOUNT THE FINANCIAL POSITION OF THE PUBLIC SECTOR SHOULD NOT BE ALLOWED TO DETERIORATE DURING 1975-76. WITH DUE REGARD TO REGIONAL EMPLOYMENT CRITERIA A STRINGENT FINANCIAL POLICY WILL BE EXERCISED.

6. THE GROWTH OF LOCAL AUTHORITY CONSUMPTION AND ADMINISTRATIVE COSTS SHOULD BE SUBSTANTIALLY CURTAILED THROUGH CO-OPERATION WITH THESE AUTHORITIES' CENTRAL ORGANIZATIONS. TO REACH THESE GOALS THE GOVERNMENT WILL TAKE STEPS THAT REDUCE EXPENDITURES CAUSED BY REFORMS ALREADY UNDERWAY AND WILL REFRAIN FROM NEW MEASURES THAT WOULD INCREASE EXPENDITURES.

7. EVEN IN THE PRESENT AGGRAVATED ECONOMIC SITUATION THE GOVERNMENT AIMS AT SECURING A REASONABLE LEVEL OF CONSUMPTION FOR THE ACTIVE POPULATION AND ESPECIALLY SMALL INCOME GROUPS. THE GOVERNMENT FURTHER AIMS AT INCREASING HOUSEHOLD SAVINGS AND SAFEGUARDING THE HIGH SAVING RATIO IN THE ECONOMY.

8. THE BUDGET PROPOSAL FOR 1976 WILL BE DRAFTED ACCORDING TO THE ABOVE GUIDELINES FOR THE ECONOMIC POLICY.

9. THE GOVERNMENT TAKES NOTE OF THE FACT THAT THE MONETARY POLICY PURSUED BY THE BANK OF FINLAND AIMS AT BALANCING THE CURRENT ACCOUNT THROUGH TIGHT

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DOMESTIC FINANCIAL MARKETS AND BY INCREASED SELECTIVITY IN THE CREDIT POLICY.

WITH REFERENCE TO PARAGRAPH 2 ABOVE, THE MINISTRY FOR FOREIGN AFFAIRS INFORM THE DIPLOMATIC MISSIONS THAT ON 11TH MARCH, 1975, THE GOVERNMENT DECIDED TO PRESENT TO PARLIAMENT A BILL FOR AN IMPORT DEPOSIT ACT WHICH WOULD AUTHORIZE THE GOVERNMENT TO INTRODUCE FOR PERIODS OF 12 MONTHS A SPECIAL IMPORT DEPOSIT SCHEME.

THE IMPORT DEPOSIT COULD BE FIXED AT A MAXIMUM OF 30 PER CENT OF THE IMPORT PRICE. THE SCHEME WOULD APPLY TO IMPORTS BY ALL IMPORTERS BUT THE RANGE OF GOODS TO BE COVERED BY THE SCHEME WOULD BE SUBJECT TO GOVERNMENT DECISION. THE DEPOSIT WOULD BE COLLECTED IN

CONNECTION WITH THE NORMAL CUSTOMS CLEARANCE PROCEDURE
AND WOULD BE REFUNDED UPON APPLICATION AFTER A PERIOD
OF 6 MONTHS OR EARLIER, IF THE GOVERNMENT SO DECIDE.
THE DEPOSIT WOULD BE INTEREST-FREE.

THE MINISTRY FOR FINANCE WOULD BE AUTHORIZED TO EXCLUDE
FROM THE DEPOSIT SCHEME GOODS WHICH ACCORDING TO THE
CUSTOMS TARIFF ACT ARE DUTY-FREE. THE SAME WOULD APPLY
TO MINOR IMPORT CONSIGNMENTS.

TO FORESTALL SPECULATIVE IMPORTS IN THE PERIOD PRIOR TO
THE APPROVAL BY PARLIAMENT OF THE IMPORT DEPOSIT ACT A
TEMPORARY 15 PER CENT AD VALOREM LEVY IS IMPOSED ON
IMPORTS AS FROM 12 MARCH , 1975. THIS LEVY WILL BE
ABOLISHED WHEN THE SAID ACT HAS BEEN MADE EFFECTIVE.
THE MINISTRY FOR FINANCE MAY DECIDE THAT CERTAIN GOODS
FOR EXCEPTIONAL REASONS MAY BE IMPORTED FREE OF THE
SPECIAL LEVY. THE MINISTRY CAN ALSO DECIDE THAT GOODS
WHICH ACCORDING TO THE CUSTOMS TARIFF ACT ARE FREE OF
DUTY CAN BE IMPORTED FREE OF THE SPECIAL LEVY.
END TEXT.
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